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**SUCCESSOR COEUR D'ALENE
CUSTODIAL AND WORK TRUST**

FINANCIAL REPORT

DECEMBER 31, 2011 AND 2010

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C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF ASSETS, LIABILITIES, AND TRUST EQUITY – MODIFIED CASH BASIS.....	2
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN TRUST EQUITY – MODIFIED CASH BASIS.....	3
NOTES TO FINANCIAL STATEMENTS.....	4 – 7



PETERSON SULLIVAN LLP

CERTIFIED PUBLIC ACCOUNTANTS

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SEATTLE, WASHINGTON 98101

INDEPENDENT AUDITORS' REPORT

To the Trustee
Successor Coeur d'Alene Custodial and Work Trust
Olympia, Washington

We have audited the accompanying statements of assets, liabilities, and trust equity - modified cash basis of Successor Coeur d'Alene Custodial and Work Trust ("the Trust") as of December 31, 2011 and 2010, and the related statements of revenue, expenses, and changes in trust equity - modified cash basis for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and trust equity of Successor Coeur d'Alene Custodial and Work Trust as of December 31, 2011 and 2010, and its revenue, expenses, and changes in trust equity for the years then ended, on the basis of accounting described in Note 1.

Peterson Sullivan LLP

October 5, 2012

SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

**STATEMENTS OF ASSETS, LIABILITIES, AND TRUST EQUITY –
MODIFIED CASH BASIS**

December 31, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 1,337,919	\$ 149,589,519
Investments	475,936,037	288,766,095
	<u>\$ 477,273,956</u>	<u>\$ 438,355,614</u>
LIABILITIES AND TRUST EQUITY		
Trust equity	<u>\$ 477,273,956</u>	<u>\$ 438,355,614</u>

See Notes to Financial Statements

SUCCESSOR COEUR D'ALENE CUSTODIAL AND WORK TRUST

STATEMENTS OF REVENUE, EXPENSES, AND TRUST EQUITY – MODIFIED CASH BASIS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Revenue		
Realized gain on sale of investments	\$ 32,984,538	\$ -
Interest and dividend income	10,250,685	6,703,467
Other income	23,606	
	<u>43,258,829</u>	<u>6,703,467</u>
Expenses		
Environmental remediation	2,495,099	178,311
Investment fees	1,370,929	1,211,245
Trustee and employee fees	280,951	150,276
Legal fees	16,066	47,703
Property insurance and taxes	34,097	17,501
Accounting fees	57,324	1,642
Other	86,021	29,676
Realized loss on sale of investments		3,353,888
	<u>4,340,487</u>	<u>4,990,242</u>
Change in trust equity	38,918,342	1,713,225
Trust Equity, beginning of year	438,355,614	436,642,389
Trust Equity, end of year	<u>\$ 477,273,956</u>	<u>\$ 438,355,614</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

The Successor Coeur d'Alene Custodial and Work Trust ("the Trust") was established as part of a bankruptcy proceeding involving Asarco LLC and its subsidiaries ("Asarco"). The Trust took effect on December 9, 2009, following a final determination by the United States District Court in Corpus Christi, Texas, which affirmed a Settlement Agreement between the United States Environmental Protection Agency ("EPA"), Asarco, various other mining companies, and Daniel Silver, Trustee.

Under the terms of the Trust Agreement, Asarco transferred properties and cash to the Trust, to be placed into three segregated trust accounts. The sum of the monies transferred was \$436,639,890. Each account is used for specific purposes as follows: 1) one of the accounts pays for environmental remediation projects approved by EPA; 2) one pays for environmental actions approved by EPA and prioritized by federal Natural Resource Trustees; and 3) one is used to fund environmental and administrative actions related to properties owned by the Trust.

The Trust has two offices, one in Olympia, Washington and a second in Kellogg, Idaho. The Trustee resides and works in Olympia. The Trustee has overall responsibility for all Trust activities, including investment and management of the Trust monies. The Kellogg office is responsible for selection and oversight of the remediation contractors.

The sole beneficiary of the Trust is EPA.

Modified Cash Basis Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Under this basis, the only assets recognized are cash and investments, and no liabilities are recognized (unless caused by cash transactions). The modified cash basis differs from accounting principles generally accepted in the United States primarily because revenues and expenses are recognized when received or paid, rather than when earned or incurred.

Cash and Cash Equivalents

Cash and cash equivalents includes money market funds and U.S. Government obligations with an original maturity of three months or less. The Trust has deposits in financial institutions in excess of federally insured limits. The Trust considers all short-term securities with a maturity at the time of purchase of three months or less to be cash equivalents.

Investments

Investments are reported at cost in the statements of assets, liabilities, and trust equity. Realized gains and losses are included in the change in trust equity.

Income Taxes

The Trust is a qualified settlement fund under Section 468B of the Internal Revenue Code. However, since the trust is beneficially owned by EPA, it is exempt from federal income tax. Tax years that remain subject to examination by federal authorities are 2009 through 2011.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Trust has evaluated subsequent events through the date these financial statements were available to the issued, which is the same date as the independent auditors' report.

Note 2. Investments

Investment activity for the years ended December 31, 2011 and 2010, was as follows:

	2011	2010
Balance, beginning of period (at cost)	\$ 288,766,095	\$ 251,239,217
Purchases	475,936,037	796,745,912
Proceeds on sale	(288,766,095)	(755,865,146)
Realized gain (loss) on sale		(3,353,888)
Balance, end of period (at cost)	<u>\$ 475,936,037</u>	<u>\$ 288,766,095</u>

Investments held by the Trust at December 31, 2011 and 2010, were as follows:

	2011		2010	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Common Collective Trust				
Funds	\$453,936,041	\$411,920,379	\$ -	\$ -
Hedge Fund	21,999,996	19,816,904		
Fixed Income				
US government obligations			144,737,168	144,893,536
Corporate obligations			20,489,198	20,389,319
Other			7,880,465	8,195,632
Equities			67,687,307	77,818,990
Equity Mutual Funds			21,201,817	22,454,180
Real Estate Funds			20,358,865	23,954,833
Other Mutual Funds			6,011,000	6,403,515
Real Estate Investment Trusts			400,275	426,796
	<u>\$475,936,037</u>	<u>\$431,737,283</u>	<u>\$288,766,095</u>	<u>\$304,536,801</u>

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Common collective trust funds and the hedge fund ("Funds") are reported at their fair value using the Net Asset Value ("NAV") provided by the administrators of the Funds. The NAV is based on fair value of the underlying assets, less any liabilities, and then divided by the number of shares outstanding. There are no unfunded commitments. Units can only be redeemed at certain times, and with varying amounts of notice, depending on the provisions of the respective Funds' governing agreement. Due to the lack of an organized trading market and the restrictions associated with investment redemption, liquidity for these investments may be impaired under certain market conditions. All of the Trust's asset fair values as of December 31, 2011, are derived from Level 3 inputs.

All of the Trust's asset fair values as of December 31, 2010, are derived from Level 1 inputs, using quoted market prices.

There was no accrued investment interest at December 31, 2011. Accrued investment interest at December 31, 2010, amounted to \$928,442 and has not been included in the cost basis or fair value amounts noted above.

The Trust agreement places restrictions on the types of investments that may be purchased. The Trust was in compliance with these restrictions at December 31, 2011. During 2010, in anticipation of the change in investment custodians that occurred in January 2011, the Trust allowed certain short-term government obligations to mature and temporarily held cash instead. This resulted in the Trust not being in compliance with these restrictions at December 31, 2010.

Note 3. Environmental Remediation Costs

Under the modified cash basis of accounting, environmental remediation costs are recorded when disbursed. Each year the Trust prepares a work-plan and budget for review and approval by EPA. Following EPA's approval, the Trust contracts work to be performed for the requisite environmental activities. The Trust reports quarterly to EPA on the remediation and financial status of the Trust. No funds can be distributed from the Trust without the explicit written approval of the trustee.